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YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 23 September 2019, the Company has entered into the Subscription Agreement with the Subscriber for the subscription of an aggregate 78,000,000 new Shares for an aggregate consideration of HK\$9,516,000 at the Subscription Price of HK\$0.122 per Subscription Share.

The Subscription Price represents a discount of approximately 6.87% on a closing price of HK\$0.131 per Share as quoted on the Stock Exchange on 23 September 2019, being the date of the Subscription Agreement.

The Subscription Shares of 78,000,000 new Shares represent approximately 2.15% of the existing issued share capital of the Company and approximately 2.10% of its enlarged share capital. The Subscription Shares will be issued under the General Mandate and will rank equally with all existing Shares.

The Company intends to use the net proceeds raised from the issue of the Subscription Shares for general working capital of the Company and its subsidiaries. Completion of the Subscription pursuant to the Subscription Agreement is conditional upon, inter alia, the Listing Committee agreeing to grant the listing of and permission to deal in the Subscription Shares.

Warning: Shareholders and potential investors should note that the Subscription is subject to the fulfillment of various conditions, the Subscription may or may not proceed to completion. Accordingly, Shareholders and potential investors should exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENT DATED 23 SEPTEMBER 2019

Parties

Issuer: The Company

Subscriber: The Subscriber

Based on the information provided by the Subscriber, the Subscriber is a businessman. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber is an Independent Third Party.

Subscription

Pursuant to the Subscription Agreement, the Company has agreed to issue and the Subscriber has agreed to subscribe for an aggregate of 78,000,000 new Shares at the Subscription Price of HK\$0.122 per Share, subject to the terms and conditions contained therein. The gross proceeds and the net proceeds from the issue of the Subscription Shares are expected to amount to approximately HK\$9,516,000 and HK\$9,316,000 respectively. The Subscription Shares are to be issued under the General Mandate and no separate shareholders' approval will be obtained.

Subscription Price

The Subscription Price of HK\$0.122 per Share is determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Subscription Price represents:

- (a) a discount of approximately 6.87% on the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on 23 September 2019, being the date of the Subscription Agreement; and
- (b) a discount of approximately 19.74% on an average closing price of HK\$0.152 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately before the date of the Subscription Agreement.

Subscriptions Shares

As at the date of this announcement, a total of 3,634,517,408 Shares were issued. The Subscription Shares to be issued pursuant to the Subscription Agreement represent approximately 2.15% of the existing issued share capital of the Company and approximately 2.10% of its issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the AGM. As at the date of this announcement, part of the General Mandate has been utilized and 540,000,000 Shares have been issued under the General Mandate in relation to the placing of new shares (details of which are set out in the announcement of the Company dated 7 August 2019).

The remaining number of Shares which could be issued and allotted under the General Mandate is 78,903,481 Shares as at the date hereof. As such, the current remaining General Mandate is sufficient for the issue and allotment of the Subscription Shares. No separate Shareholders' approval is required for the Subscription.

Ranking

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with all existing Shares presently in issue and at the time of issue and allotment of the Subscription Shares.

Conditions Precedent of the Subscription

The Subscription is conditional on the granting of a listing of and permission to deal in the Subscription Shares by the Listing Committee of the Stock Exchange.

If the condition is not fulfilled on or before 31 October 2019 (or such other date as the parties may mutually agree), the Subscription Agreement shall lapse.

Completion of Subscription

The completion of the Subscription will be on the 3rd Business Day immediately after the condition of the Subscription has been fulfilled (or such other date as the parties may agree). The completion of the Subscription is subject to the satisfaction of the conditions in the Subscription Agreement and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for granting the listing of and permission to deal in the Subscription Shares.

USE OF PROCEEDS

The net proceeds from the Subscription to be received by the Company upon completion of the Subscription will amount to approximately HK\$9,316,000 after deducting professional fees and all related expenses. On this basis, the net issue price per Subscription Share is approximately HK\$0.1194 per Share.

The Company intends to use the net proceeds raised from the Subscription for supporting its energy trading business, which is one of the main businesses of the Group, including, in particular, those transactions contemplated under the two product procurement framework agreements dated 23 and 29 August 2019 entered into by the Group, details of which are disclosed in the announcements of the Company dated 23 August 2019 and 29 August 2019 respectively.

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in speakers trading and energy trading businesses. The Subscription represents a valuable opportunity for the Company to introduce the Subscriber as a strategic Shareholder and broaden the Shareholders' base. The Directors are also of the view that the Subscription can strengthen the financial position and broaden the capital base of the Company.

The Board has considered other alternative equity fund-raising methods such as rights issue or open offer. The Board decided to proceed with the Subscription since rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and additional administrative cost to complete as compared to the equity financing by way of issuing of new Shares under the General Mandate.

The Directors consider the terms of the Subscription Agreement is on normal commercial terms and are fair and reasonable based on the current market conditions. Having considered the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following fundraising activities in the past twelve months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
29 May 2019, 11 June 2019, 2 July 2019, 7 July 2019 and 17 July 2019	Issuance of Convertible Bonds under General Mandate	HK\$110,952,907	Redemption of 2017 Notes and settlement of outstanding indebtedness in relation thereto	Redemption of 2017 Notes and settlement of outstanding indebtedness in relation thereto
7 August 2019, 12 August 2019 and 22 August 2019	Issue of new Shares under General Mandate	HK\$67,300,000	General working capital of the Company and its subsidiaries, acquisition of business (if any) if opportunities arise and repayment of some of the indebtedness of the Group.	Approximately HK\$51,300,000 has been used for the general working capital (such as purchase of raw materials) and approximately HK\$8,000,000 has been used for repayment of some of the indebtedness of the Group. Approximately HK\$8,000,000 was not yet utilized as at the date of this announcement, which is deposited in the bank account of the Company.

Save as abovementioned, the Company had not conducted any other fundraising exercise in the past twelve months immediately preceding the date of this announcement.

EFFECT OF THE SUBSCRIPTION ON SHAREHOLDING STRUCTURE

The shareholding structures as at (i) the date of the Announcement, (ii) immediately after the completion of the Subscription and (iii) upon completion of the Subscription and full conversion of the convertible notes issued on 17 July 2019 into conversion shares (assuming there is no other change in the shareholding structure) are as follows:

	Shareholding as at the date of this announcement		Shareholding immediately upon completion of the Subscription		Shareholding upon completion of the Subscription and full conversion of the convertible notes issued on 17 July 2019 into conversion shares	
	<i>Approximately</i>		<i>Approximately</i>		<i>Approximately</i>	
	<i>Number of shares held</i>	<i>% of Shares in issue</i>	<i>Number of shares held</i>	<i>% of Shares in issue</i>	<i>Number of shares held</i>	<i>% of Shares in issue</i>
Mr. Lin Caihuo	928,284,839	25.541%	928,284,839	25.005%	928,284,839	21.510%
Oriental Gold Honour Joy International Holdings Limited	892,768,273	24.563%	892,768,273	24.048%	892,768,273	20.687%
Super Wise International Investment Limited ("Super Wise")	540,000,000	14.858%	540,000,000	14.545%	540,000,000	12.513%
The Subscriber	0	0%	78,000,000	2.10%	78,000,000	1.808%
Win Win International Strategic Investment Funds SPC ("Win Win")	0	0%	0	0%	603,004,929	13.973%
Other public Shareholders	<u>1,273,464,296</u>	<u>35.038%</u>	<u>1,273,464,296</u>	<u>34.302%</u>	<u>1,273,464,296</u>	<u>29.509%</u>
Total	<u><u>3,634,517,408</u></u>	<u><u>100%</u></u>	<u><u>3,712,517,408</u></u>	<u><u>100%</u></u>	<u><u>4,315,522,337</u></u>	<u><u>100%</u></u>

There is no other relationship between the Subscriber, Mr. Cui Xianguo (崔憲國) (the sole shareholder of Super Wise), Super Wise and Win Win.

PUBLIC FLOAT

The Company will be able to comply with the public float requirement under the Listing Rules immediately after completion of the Subscription.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“2017 Notes”	the HK\$100,000,000 6% notes due 2019 issued by the Company in 2017
“AGM”	the annual general meeting of the Company held on 31 May 2019
“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturdays) on which banks in Hong Kong are generally open for business
“Company”	Yuhua Energy Holdings Limited (Stock Code: 2728), a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the AGM, which authorized the Directors to allot, issue and deal with up to a maximum of 618,903,481 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.00125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Li Junbin (李俊賓), a businessman

“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 23 September 2019 and made between the Company and the Subscriber
“Subscription Price”	HK\$0.122 per Subscription Share
“Subscription Shares”	a total of 78,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Yuhua Energy Holdings Limited
Yuan Hongbing
Executive Director

Hong Kong, 23 September 2019

As at the date of this announcement, the Company has three executive Directors, namely Mr. Lin Caihuo (Chairman), Mr. Chen Jinle and Mr. Yuan Hongbing, one non-executive Director, namely Mr. Wang Shoulei, and three independent non-executive Directors, namely Mr. Liu Yang, Mr. Xu Changyin and Mr. Tche Heng Hou Kevin.